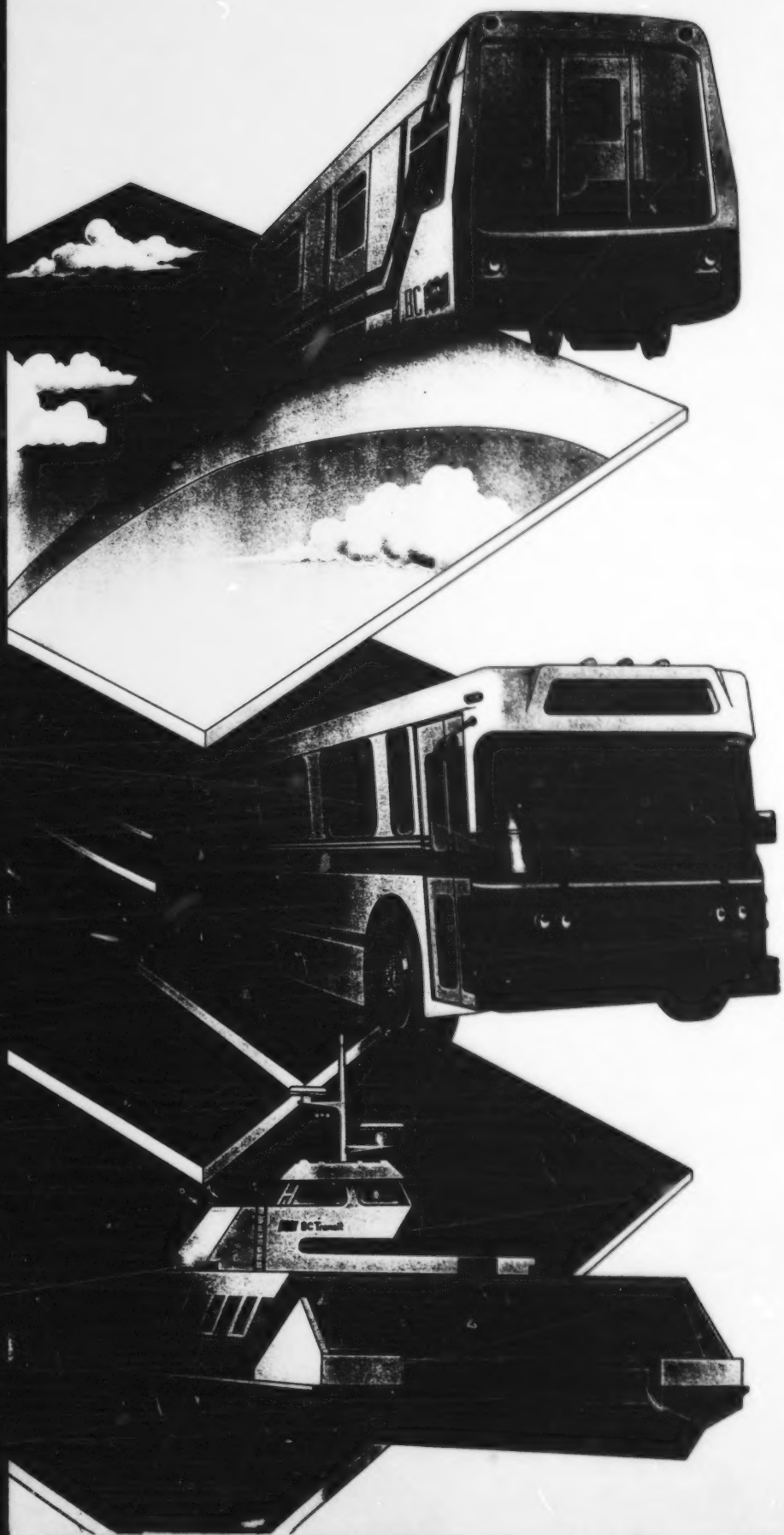

BC TRANSIT

1987 - 1988

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Lieutenant-Governor in Council

Sir:

It is my privilege to forward to you the 1987/88 financial statements and annual report of BC Transit.

Yours sincerely,

Rita M. Johnston
Minister Responsible

The Honourable Rita M. Johnston
Minister of Municipal Affairs,
Recreation and Culture
Province of British Columbia
Victoria, B.C.

Madam:

I have the honour to transmit the 1987/88 annual report of BC Transit.

Yours sincerely,

Stuart M. Hodgson
Chairman

A MESSAGE FROM THE MINISTER

Transit is playing a key role in the development and prosperity of British Columbia, and as our province continues to grow at a rapid rate, the need for maintaining first-class transit services is becoming increasingly apparent.

Efficient transit systems, well-designed and operated, play vital roles in the economic and social development of our communities.

Transit helps senior citizens move safely to visit friends, go to theatres, restaurants, shopping, social centres and places of interest. It helps mothers who cannot drive move about the communities. It helps students go to schools, colleges and universities.

Transit helps employers by making available workers who cannot drive. When transit carries employees, it reduces the need for employee parking, and helps provide a cleaner environment.

The government is currently studying the transportation needs of the province, and transit forms a key sector in that study. This province is on the move economically. If we are to make full use of every opportunity, people must be mobile.

With the help of the people at BC Transit, who move people throughout the province, British Columbia will continue to provide one of the most efficient transit systems in the world.

Rita M Johnston

Rita M. Johnston,
Minister Responsible

HI SKYBRIDGE

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Left: SkyBridge — the world's longest transit-only, cable-stayed bridge — under construction.

THE BOARD OF DIRECTORS

Stuart M. Hodgson
Chairman, BC Transit

Alderman Frank Carson
City of Victoria

Mayor Charles Lakes
City of Trail (1987)

Derrick Humphreys
West Vancouver (1987)

E.H. Alan Emery, Q.C.
Victoria (1987)

Don Ross
Surrey, B.C.

Mayor Gordon Campbell
City of Vancouver

Mayor Don Lanskail
District of West Vancouver

Mayor Jim Stuart
City of Kelowna

William Vogel
White Rock, B.C.

Eric Clarke
Victoria, B.C. (1988)

Jackie Drysdale
Rossland, B.C. (1988)

THE EXECUTIVE STAFF

Stuart M. Hodgson
Chairman
and Chief Executive Officer
General Manager, B.C. Rapid
Transit Company

Rick Krowchuk
Vice-President, Finance

Robert Lingwood
Corporate Secretary

Ken Mawdsley
Senior Vice-President, Operations
Vice-President, Victoria and
Small Community Systems

TRANSIT IN ACTION

BC Transit is a Crown corporation that serves about 2.3 million people throughout British Columbia. The corporation's conventional transit systems, in Greater Vancouver, Greater Victoria and across the province, carry more than 120 million people annually in 36 communities.

The provincial fleet consists of 1,094 conventional buses and trolleys, 139 handyDART vehicles, 12 paratransit vehicles, two SeaBus ferries and 114 rapid transit cars.

BC Transit expenditures in 1987-88 totalled $352.7 million. Costs are shared by the province, local government and transit passengers.

It is a co-operative partnership, combining centralized planning, marketing and financial services, with a strong component of local decision-making.

In Greater Vancouver and Greater Victoria, for example, transit commissions comprising elected representatives from member municipalities decide on local matters including: setting fares, determining new routes and levels of service, and raising the local share of transit costs through taxation.

In smaller communities, local authorities provide similar services. Opportunities for private sector participation are extensive.

The following pages provide highlights, information and testimony to the 1987/88 fiscal year.

Above: On-board SkyTrain, an attendant radios SkyTrain Control.

THE VALUE OF TRANSIT BECOMES APPARENT

Every year, BC Transit is responsible for moving more than 120 million riders in communities across British Columbia, and the demand for service is growing. Local residents, local governments, local business people — all want more transit services in their communities.

Transit performs an invaluable service, and touches all members of the community. It carries commuters, non-drivers, shoppers, students, senior citizens and visitors. Transit plays a vital role in any community: it moves people, it increases a community's mobility. Transit can help free city centres from noise, air pollution and traffic congestion.

Good transit encourages economic growth, stimulates life and movement, and has an appreciable impact on social and cultural development. Regardless of how people move, they all contribute in some way to the economy. And the business fraternity is very conscious of this.

In Greater Vancouver, we have an excellent example of how transit is acting as a catalyst for development, and this report gives some details of that development.

Internally, 1987/88 was spent taking a good hard look at the corporate organization. Like any business operation, growth comes through being aware of problems and opportunities and tailoring the organization to meet the challenges and opportunities of the future. After considerable soul searching, and extensive revisions and remoulding, all departments were reorganized under a new executive, and BC Transit is now moving ahead.

Stuart Hodgson
Chairman & Chief Executive Officer

THE VANCOUVER REGIONAL TRANSIT SYSTEM

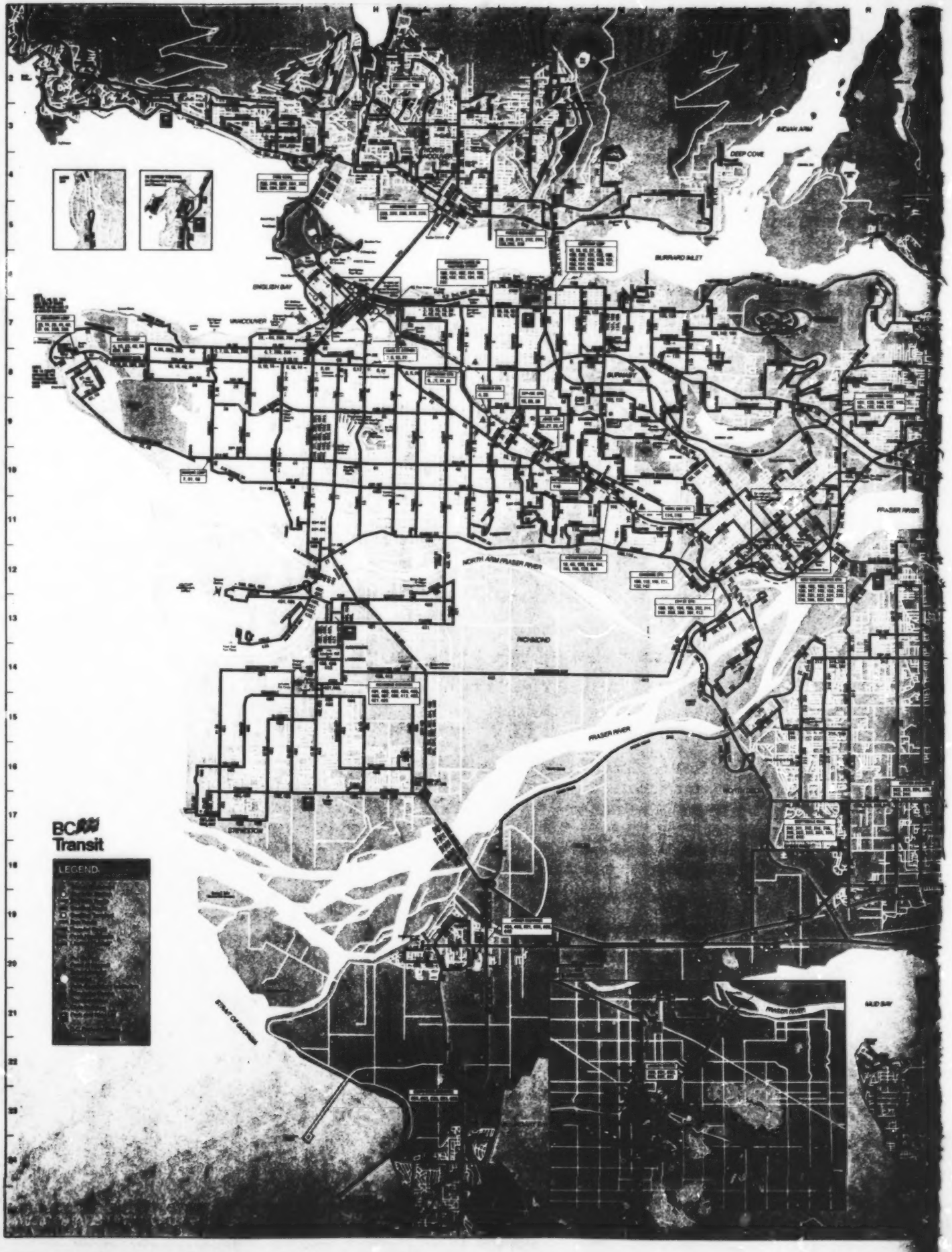
The Vancouver Regional Transit System covers about 1,500 square kilometres, and is the largest transit service area in Canada. The transit fleet comprises 613 buses, 244 trolleys, 114 SkyTrain rapid transit cars, and two SeaBus catamaran high-speed passenger ferries. In addition, 102 special small vehicles provide custom transit service for disabled people. The region's population currently stands at about 1.4 million. The tri-modal transit system has about 169 million boardings a year, which, compared to other North American cities of similar size, is extraordinarily high, and says much for the Vancouver Regional Transit System and its staff of 3,500, of whom 1,740 are "front line" people — bus operators, SkyTrain attendants or SeaBus staff.

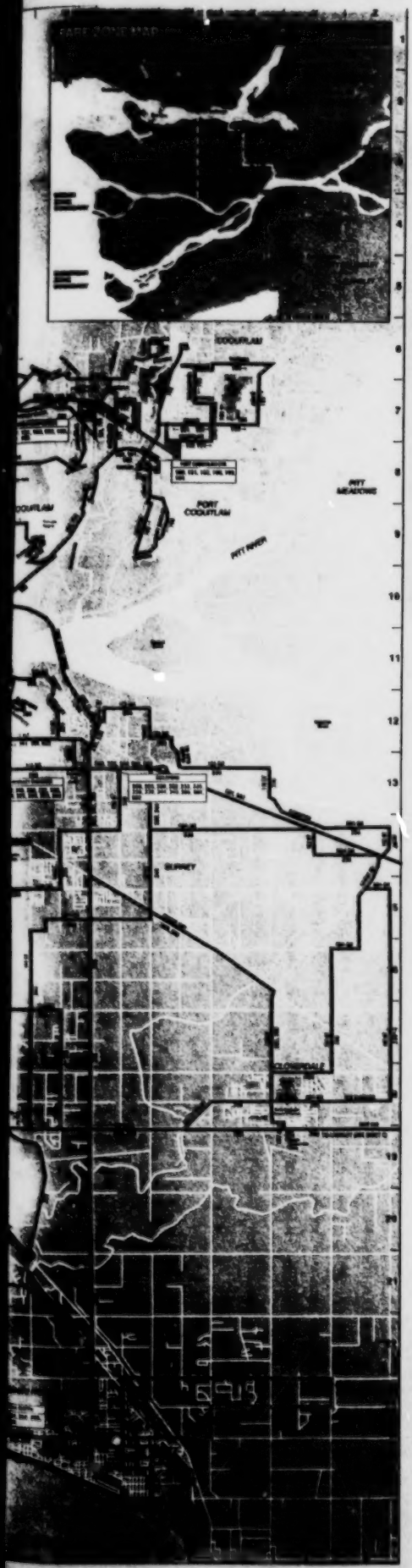
The transit system is fully integrated, a long-term program that started in January, 1986, with the advent of SkyTrain. Fares and schedules are totally integrated, allowing for easy transfer from one mode of transport to another. Integration has seen the realignment of some 70 bus routes since the beginning of 1986.

The program concluded with the seventh and final phase during the year. Public forums held in the northeast sector (Coquitlam, Port Coquitlam and Port Moody) helped to shape the final phase, which now sees continued direct service to Vancouver and increased service to the New Westminster SkyTrain station.

The drive to provide commuters with fast, efficient service and to secure better value for the transit dollar, continued in the fiscal year under review.

The Vancouver Regional Transit System during the 1987/88 year carried more than 101 million revenue passengers — 350,000 per day.


BC Transit
LEGEND
VANCOUVER
BURRARD INLET
ENGLISH BAY
DEEP COVE
NORTH ARM
FRASER RIVER
NORTH ARM FRASER RIVER
RICHMOND
STRAIT OF GEORGIA
MUD BAY



SERVICE AREA EXTENDED

The decision to extend the boundaries of the transit region to include both the City and Township of Langley, and both conventional and custom transit — handyDART for disabled persons — was made early in 1988.

Transit service also started — in November, 1987 — at Lions Bay, in the far northwest section of the transit region. "Blue Bus," operated by the West Vancouver Municipal Transportation Department, which forms a vital link in the Vancouver Regional Transit System, runs the service. It is now possible, through these expansions, to travel from Aldergrove in the Fraser Valley to Lions Bay — a distance of almost 100 kilometres — for just $1.25 during off-peak periods.

Left: The extended transit service region map. Above: The 1987/88 fiscal year saw the decision to extend both conventional and custom transit — handyDART for disabled persons — to the City and Township of Langley.

THE BUS FLEET: EXPANSION & INNOVATION

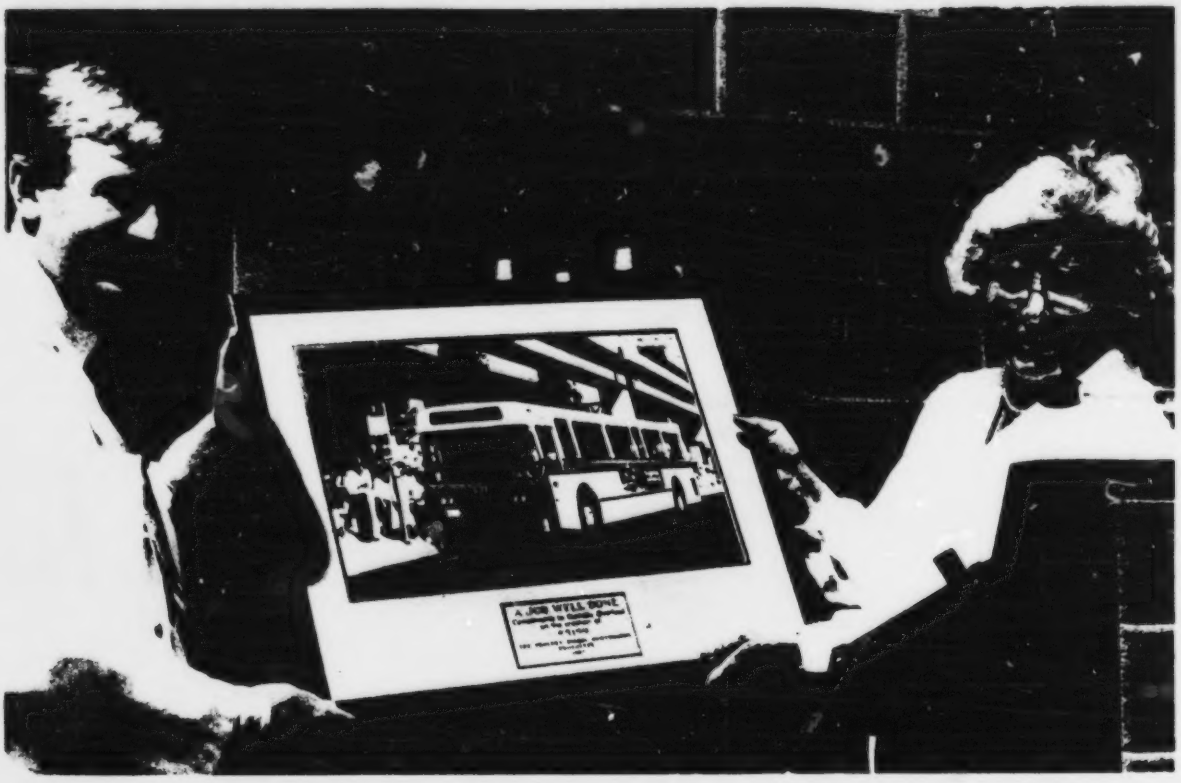
In May, 1987, the transit fleet was expanded with the introduction of 28 new GM Classic series diesel buses. Equipped with wide-access doorways, larger window areas, and the special Detroit Diesel turbocharged engine with improved hill-climbing capabilities, the units went into service in Burnaby, Coquitlam and Surrey. The new buses are part of an ongoing replacement of a diesel fleet that has seen approximately 20 years of continuous service.

Nineteen eighty-seven saw the introduction of a new and unusual type of bus — the trolley-diesel. When 50 of the old Flyer E800 electric trolley buses were retired in 1983, their propulsion motors obsolete, they were set aside. During 1986, the Maintenance Department crew at the Burnaby Transit Centre had a brilliant idea. Though the trolley propulsion motors were obsolete, the trolley bodies were in excellent shape. On the other hand, some of the diesel bus frames were not faring that well, but the diesel engines were good.

Why not put the best of both together?

That question resulted in the production by the Maintenance Department of a prototype in 1987 — bus #5199 seen in the photo opposite. By mid-1988, six trolley-diesel buses were on the roads, and 44 more will be done by mid-1989. The conversion cost per unit? $23,000. A far cry from $200,000 now required for a new bus.

Right: In May, 1987, the transit fleet was expanded with the introduction of 28 new GM Classic series diesel buses. Right is a Classic on the road in New Westminster. SkyBridge, under construction, towers in the background. Opposite page: (top) The Honourable Rita M. Johnston, minister responsible for transit, presents overhaul foreman, Dave Ross, with a photo-plaque commemorating the first trolley-diesel conversion; (bottom) Members of the Burnaby Transit Centre Maintenance Department with their trolley-diesel conversion prototype, #5199.


A JOB WILL DONE

Not in Service
5199

SPECIAL EVENTS

◆ On June 30, when the dollar coins were officially introduced across Canada, many of the SeaBus and SkyTrain automatic ticket vending machines had already been reprogrammed to accept the new coins. That same day, in a ceremony at the Burrard SkyTrain station, the Honourable Rita M. Johnston, minister responsible for transit, Murray Church, director of communication for the Royal Mint, and Bruce Gilmour, a registered member of the Canadian Institute for the Blind, purchased the first SkyTrain ticket to be bought with the dollar coin. Shortly thereafter, all transit vending machines were accepting the coins in steadily increasing numbers.

The Commonwealth Conference with heads of state, ministers, armies of support staff, and swarms of security people and the international media, took place in Vancouver for 10 days in October, 1987. And transit played a special role.

Working closely with the Canadian Forces, Oakridge Transit Centre provided 18 buses every morning for the seemingly endless task of shuttling dignitaries and reporters between the conference site at Canada Place and Vancouver hotels. Reminiscent of Expo 86, drivers worked long shifts, and buses ran almost round the clock.

Bruce Gilmour (left), Murray Church and the Honourable Rita M. Johnston — buying the first SkyTrain ticket ever to be purchased with the dollar coin.

SeaBus, which plies the 1.75-nautical-mile stretch of Burrard Inlet between downtown Vancouver and North Vancouver, celebrated its 10th anniversary with festivities including a giant birthday cake, a Dixieland band, clowns, balloons and "live" radio broadcasts. Some 27,500 passengers — twice the usual number — boarded SeaBus for free rides during the June 20-21 week-end celebrations. SeaBus's 33 millionth passenger was chosen.

SeaBus is a unique, B.C.-designed and built, double-ended catamaran people-only ferry. Two ships, the Burrard Beaver and the Burrard Otter each have a capacity of 400. With departures every 15 minutes, SeaBus provides a two-way capacity of 3,200 passengers an hour. The two vessels were built by Yarrows Shipbuilding of Victoria, B.C. and went into service in June, 1977.

Above: Cutting SeaBus' birthday cake, at North Vancouver's Lonsdale Quay, are: (left to right) the Honourable Rita M. Johnston, minister responsible for transit; Elaine Jung, winner of a BC Transit SeaBus Birthday Card contest; and then-Mayor Don Ross of Surrey. Left: Signing SeaBus' birthday card.

SKYTRAIN PERFORMANCE

During the year under review, SkyTrain performed with rarely a hitch, continuing a highly successful operations performance that started with its debut. As an automated people mover, it continues to perform well; in 1987, the system carried approximately 60,000 passengers a day. Its capacity is in excess of 100,000 riders a day.

Some SkyTrain effects, however, continued to be a problem. Technicians from BC Transit and the operating company, B.C. Rapid Transit Company, a subsidiary of the Urban Transportation Development Corporation (UTDC) Inc., continued efforts to bring noise levels down to the original specifications — 74 decibels.

In November, 1987, the B.C. Ombudsman issued a special report stating "Significant adverse effects of SkyTrain on some adjacent properties are loss of privacy, shadowing, excessive noise, and a decrease in property values," and suggested BC Transit conduct remedial action in "fair and reasonable ways."

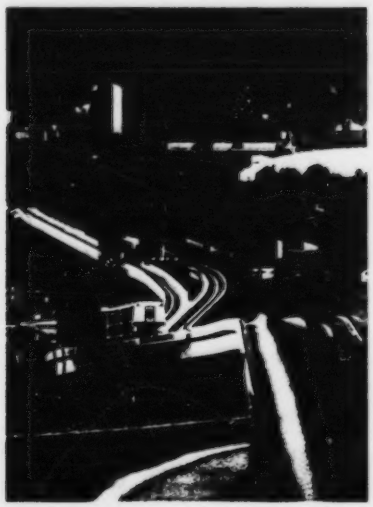
In mid-1988, the Province approved the spending of $1 million to reduce the concerns about the effects of SkyTrain on certain residential neighbourhoods. BC Transit had successfully completed tests using a special wheel and rail lubrication process, which simulates damp conditions and retards the development of rail corrugations, a noise factor. These units were installed on all trains, and in conjunction with rail grinding were expected to considerably reduce SkyTrain noise. Tests were also conducted using specially designed low-noise wheels. Used by various rail- and mass transit operations around the world, the rubber-cushioned resilient wheels reduce track sounds. As existing wheels wear out, they will be replaced with the low noise V-wheels.

Trials on vehicle- and guideway noise absorption continued. One promising option, used in preliminary tests on the SkyTrain guideway at Central Park in Burnaby, reduced track sounds considerably. Expanded tests were continued.

Grinding the rails — a necessary part of ongoing Skytrain track maintenance.

TRANSIT AND ECONOMIC DEVELOPMENT

SkyTrain, the rapid transit system that forms the backbone of the integrated transit system, links Vancouver, Burnaby and New Westminster.



Since it went into revenue service on January 3, 1986, SkyTrain's 21.4-kilometre corridor has witnessed remarkable development activities. A mid-1988 study showed developments either completed, under construction or being approved, totalled some $5 billion dollars in direct investments.

Based on a spinoff or trickledown formula of three to one, the report said spinoffs were valued at some $15 billion dollars. The study corridor was based on an envelope with a radius of a 10 to 15 minute walk of a SkyTrain station — a normally accepted industry average.

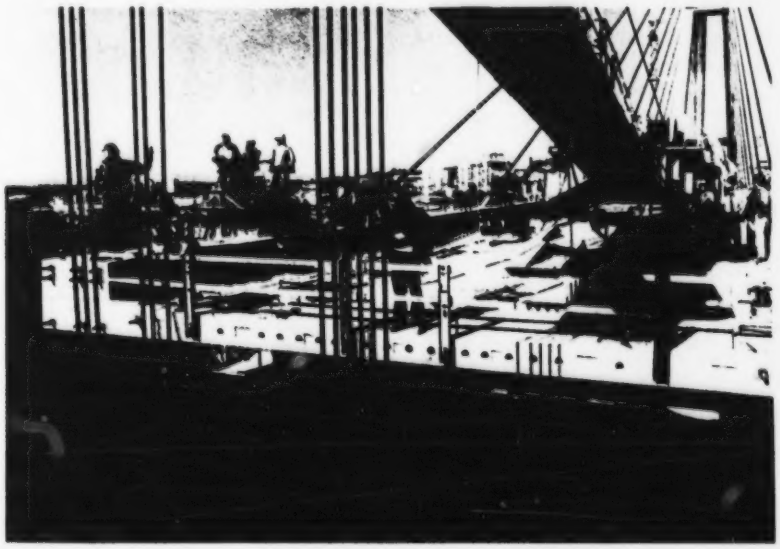
Though SkyTrain cannot claim to be directly responsible for all developments within its corridor, it does act as a catalyst for development.

Above, right: SkyTrain, the rapid transit system that forms the backbone of BC Transit's integrated transit system, links Vancouver, Burnaby and New Westminster. Right: The changing face of New Westminster. In the early 1980s, this part of New Westminster housed the remains of a port, warehouses and disused buildings. Today, Westminster Quay is part of a massive development program involving highrise apartments, riverside condominiums, and attractive markets and people places. SkyTrain acted as a catalyst for development in this area. New Westminster Station is located above the highrises at left. SkyBridge, under construction, crosses the Fraser River at right.

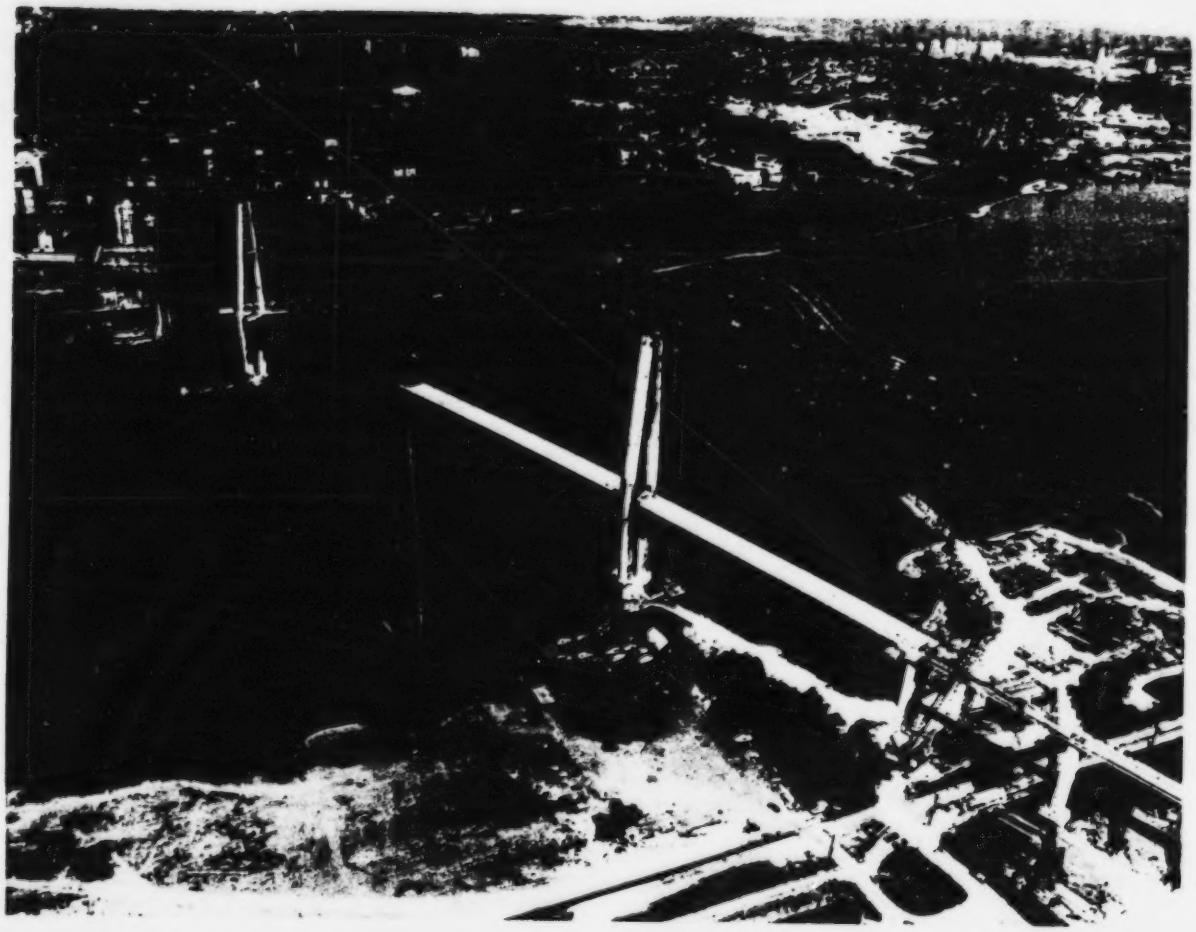
SKYTRAIN EXTENSION

◆ Construction of the 3.1-kilometre SkyTrain extension across the Fraser River into Surrey, continued in the year under review. The $179 million extension is being completed in two sections. A third station for New Westminster — Columbia Station — was completed and is scheduled to be in service in February, 1989.

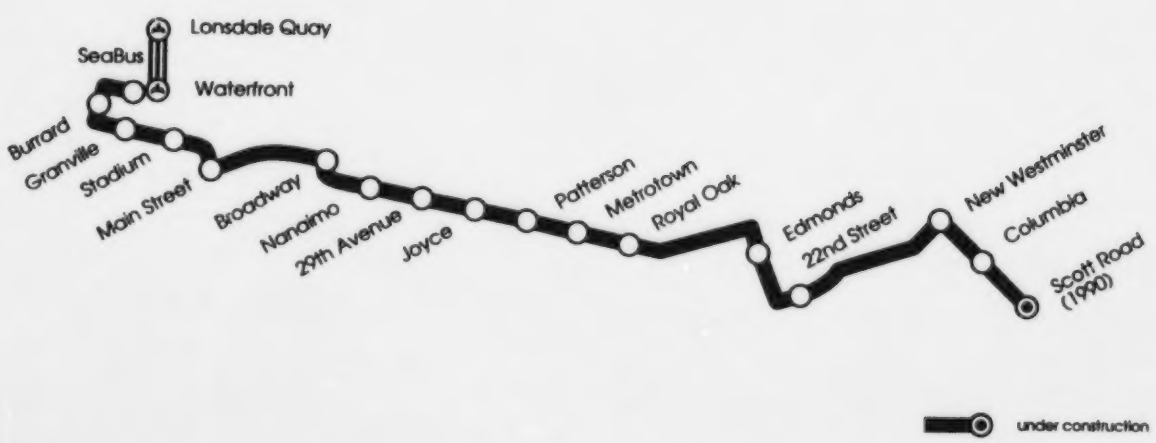
The second section, comprising a 616-metre, cable-stayed bridge, the only one in the world designed and built for rapid transit, plus a guideway and station at Scott Road, Surrey, is scheduled for revenue service in February, 1990.



Top: Raising a prefabricated deck section into place on SkyBridge. Right and far right: SkyBridge construction workers. Opposite page: SkyBridge under construction and the neighbouring Patullo bridge that links New Westminster and Surrey.



THE SKYTRAIN ROUTE



KEEPING THE TEAM INFORMED

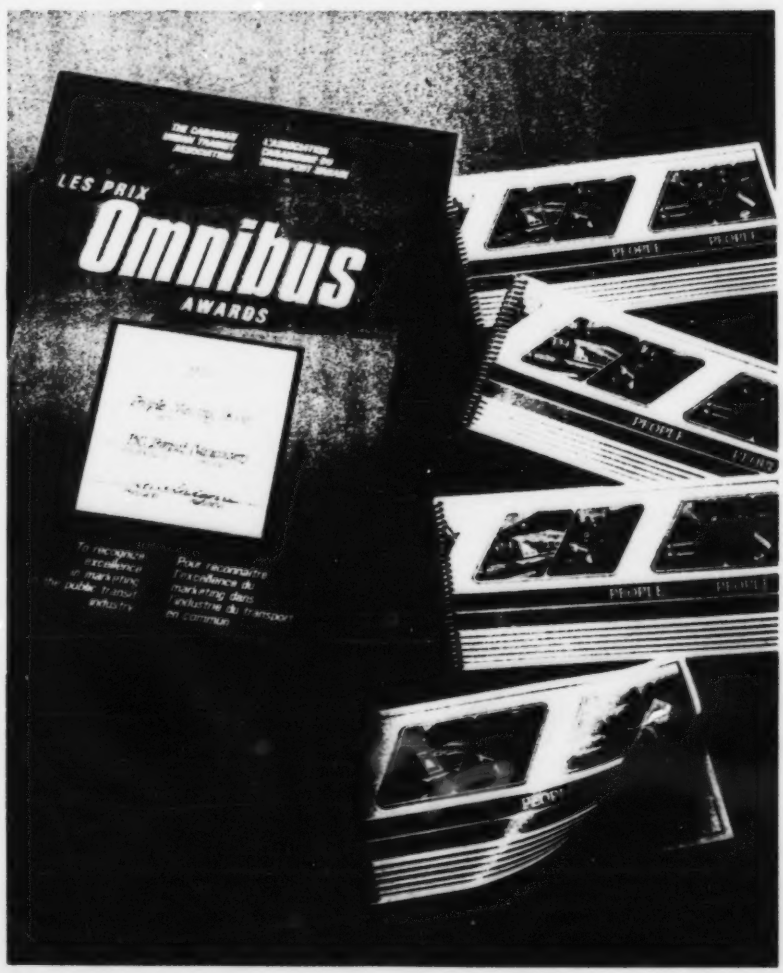
A major employee communications project received top honours in November, 1987.

BC Transit's "People Moving People," a project aimed at familiarizing employees with the Corporation and each other, received the Canadian Urban Transit Association's (CUTA) Omnibus Award. The Award recognizes excellence in marketing in the public transit industry.

The project comprised a video production called People Moving People and a comprehensive employee handbook.

A special training course, designed by CUTA, for first line supervisors from Vancouver and Victoria, continued successfully in the year under review. One hundred supervisors took the course, which focused on supervision of people, interaction with employees and the public, listening, handling problems, and maintaining self-confidence and self-esteem.

The training was received enthusiastically. Many supervisors said the course helped them develop a more positive attitude in the workplace.



BC Transit's People Moving People book — one component of a project aimed at familiarizing employees with BC Transit and each other — and the Canadian Urban Transit Association's Omnibus Award with which the project was honoured.

SAFETY: STAYING ON TOP

When you're at the top, staying there is often a challenge, but in safety, BC Transit came through 1987 with flying colours.

Nineteen eighty-seven was the safest year in the history of BC Transit, surpassing the 1986 achievement. The traffic incident rate reached an all time low, resulting in a major 10.7 per cent improvement over the previous year. This, at a time when the provincial accident rate is climbing at an alarming rate.

The passenger accident rate improved by a healthy six per cent, and looking over the past 10 years, the traffic accident rate has improved by an incredible 60 per cent. This says a lot for the employees and the system.

Looking at specific centres in the regional transit system, Surrey earned the Annual Traffic Safety Award, beating North Vancouver. Surrey scored a 27 per cent collision improvement rate over 1986. The rating is based on the number of incidents per million miles operated.

Representatives of the Surrey Transit Centre display the Traffic Safety Shield, which they earned in 1987. The Shield is awarded annually to the transit centre that records the best collision improvement rate of the year.

The SeaBus operating group, with 77 employees, achieved another injury-free year. This group has gone 900,000 injury-free hours since January 1, 1978. Twenty-nine SeaBus employees were recipients of Safe Worker awards at a presentation held in April, 1988.

One of the year's major safety initiatives was the joint production of a series of videos by BC Transit, Locals 1 and 2 of the Independent Canadian Transit Union (ICTU) and the federal government.

Emphasizing personal- and industrial safety in the work environment, five of the video productions focused on transit operations; the other three focused on transit maintenance. Part of the project agreement is that the safety training videos will be made available to other transit operations throughout Canada, particularly the smaller operations.

Left: SeaBus at the south terminal. Behind is the Vancouver Trade and Convention Centre. Above: Vice-president Lower Mainland bus operations and maintenance, Brian Beattie, presents SeaBus captain, Ron Peterson, with a certificate commemorating the SeaBus operating group's 900,000 hours worked without a disabling injury.

THE VICTORIA REGIONAL TRANSIT SYSTEM

RIDERSHIP STAYS HIGH

The Victoria Division of BC Transit is responsible for transit in the capital region of the province and maintains 46 transit operating agreements for bus systems in 36 communities across the province.

Following hot on the heels of Expo 86, when transit systems in many communities carried record numbers of people, the Victoria Regional Transit System carried almost as many passengers in 1987/88 as it did during the Expo year: 13,196,000 — only 200,000 (1.4 per cent) less.

Reduced tourist numbers affected ridership. For instance, ridership to BC Ferries at Swartz Bay was down 15 per cent over 1986. Another factor stems from a demographic trend affecting student riders: the number of high school age students is dropping. Data extracted from the fare survey showed students, during 1987/88 totalled 15.8 per cent of all riders, down from 17.8 per cent in 1986-87. This trend is likely to continue into the mid-1990s, when, say demographic experts, the student population will start to increase again in the Victoria region.

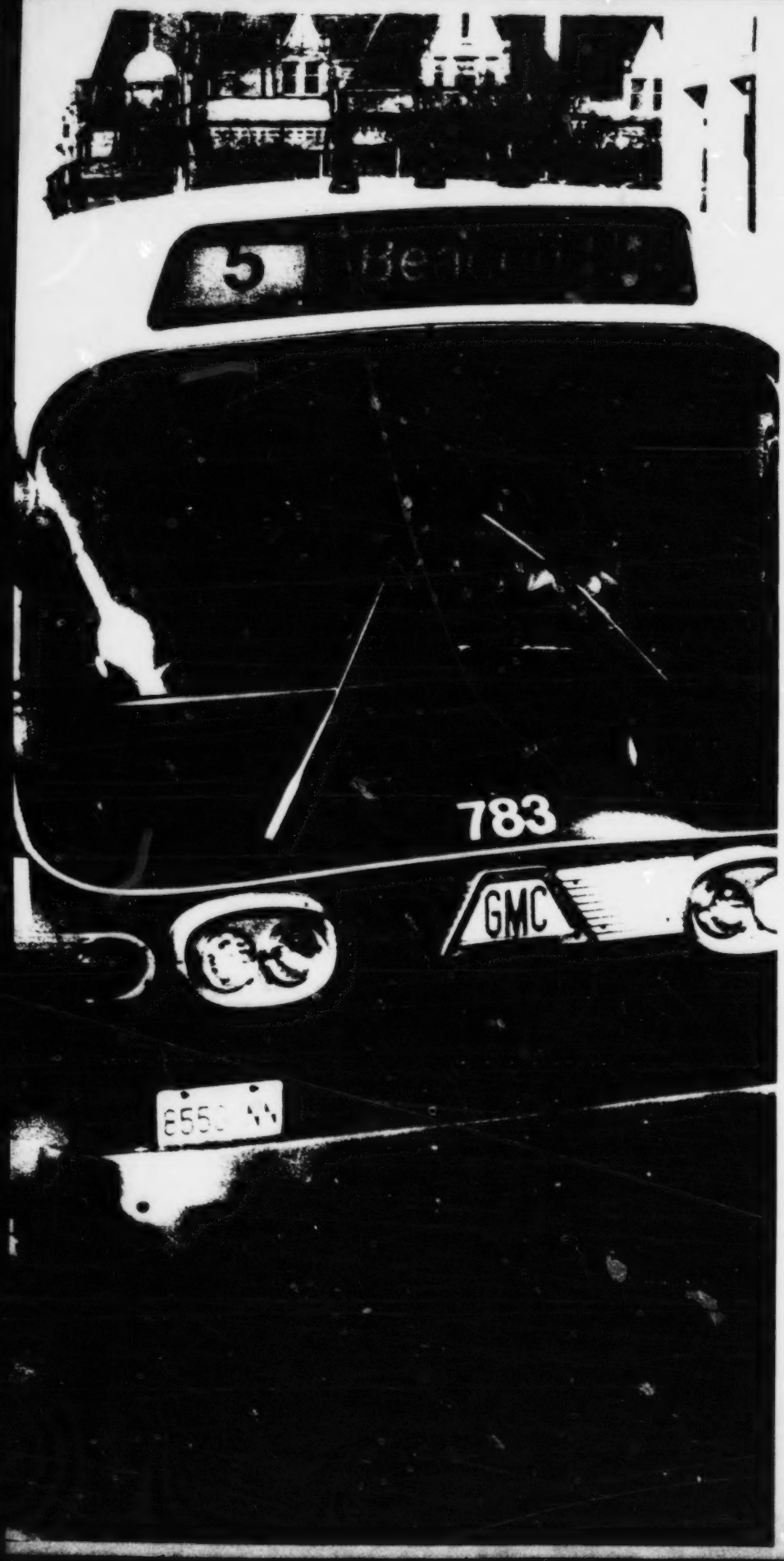
Below and opposite: Downtown Victoria. The Victoria Division of BC Transit is responsible for transit in the capital region of the Province and maintains 46 transit operating agreements for bus systems in 36 communities across the province.

8556-NN

But if ridership was down marginally, transit awareness increased in the capital city as bus art made its debut with the Gallery on Wheels program. For the duration of the program, 12-foot-long panels of original works by Vancouver Island artists were displayed on the sides of 20 buses. It made many people look twice at buses; drivers were asked to stop while fascinated tourists took photographs, and bus art became the talk of the town throughout the summer. It was the first year of a colourful, unique cultural project.

Gallery on Wheels

5 Beacon Hill
30 Douglas
70 Pat Bay Hwy
72 Sidney
74 West Saan
75 Central Saan
382-6161
783



The fleet of 108 conventional buses operated at a total cost of $18.1 million, with farebox revenues at 46.9 per cent of total costs.

The Victoria Regional Transit Commission, which sets routes, fares and schedules for the system, looked to improving economic performance. A number of uneconomical services were reduced, other services were improved, and a revised fare structure was introduced in September. In spite of this, total revenue remained stable — 0.5per cent below the previous year — but transit pass sales increased significantly as suburban riders gained the benefits of a reasonably priced monthly pass.

During the year, Scratch & Ride DayPasses were introduced to the Victoria Regional Transit System, allowing riders to take unlimited rides throughout the 700-square-kilometre transit service area.

The year under review was spent finalizing plans for the new transit administration complex on the site of the Gorge Road operations facilities. In early April, 1988, the Operations Department moved to its temporary headquarters at Garbally Road to allow for commencement of construction of the new facilities. The new building will house headquarters staff, along with Operations and Maintenance employees, and will be ready for occupancy by March of 1989.

The Garbally Garage is a fully equipped facility with 43 Maintenance staff and associated supervisory personnel. The Maintenance Department continued to focus on their first priority, maintaining the Greater Victoria fleet of 108 buses. With up to 100 buses on the road in rush hour, in the fall and winter period, the Victoria fleet operates with one of the lowest spare ratios in the transit industry.

The Department also performed major overhauls on BC Transit buses serving the province's smaller communities, and overflow from the Vancouver Regional Transit System's garages. Victoria Overhaul, in addition to maintaining the maximum number of vehicles for Victoria's peak rush hour service, rebuilt 48 engines, 86 transmissions and six differentials.

When a bus shaft is worn out, it is replaced at a cost of $600. Victoria Maintenance is repairing bus shafts at a cost of $75 each with a saving of more than $500 per item. This is happening to many moving mechanical parts — rebuild instead of replace, and the process is saving thousands of dollars a year. The secret is in "spray welding." Victoria has one of the few shops in Western Canada doing this work. A worn part is mounted on a lathe and through spray welding is rebuilt to its former bulk and specifications. Interestingly enough, say BC Transit mechanics, the rebuilt part is normally more durable than the original. Victoria Maintenance also does this work for the Vancouver Regional Transit System and other transit properties.

Buses now on order for the Victoria system should be admired by public riders and employees alike. Several Operations Department personnel participated along with Maintenance, Accident Prevention and Security staff, in a special Bus Specification Review Committee. The end result of the group's extensive work is an exacting bus specification design that responds to employee needs as well as a coach specifically designed for Victoria passenger needs.

Spray welding in Victoria's Maintenance Department. BC Transit, Victoria, has one of the few shops in Western Canada that uses this highly efficient process that rebuilds metal on worn parts.

HANDYDART RIDERSHIP INCREASES

◆ Following the 30 per cent increase in handyDART service implemented in the previous year, service levels remained constant, but ridership increased by 8.5 per cent to 89,000 revenue passengers in the year under review.

The Victoria Regional handyDART System, with its 14 vans, provided 31,480 hours of service. This total includes about 430 hours of supplemental taxi service. Taxis carried 2,000 passengers during the year.

Revenues from the farebox totalled $121,989, 13.6 per cent of the total system costs. Fares have not increased on the system since 1981 when the current level of $1.25 and $0.50 for each additional zone was established.

The major event of the year was the move to the new handyDART operating centre in the Royal Oak industrial park. This is the first facility built specifically for this kind of transit operation in B.C., and, as far as is known, in Canada It incorporates numerous features, including full accessibility. Also, it offers maximum environmental quality for disabled staff working there.

During the year under review, handyDART ridership increased by 8.5 per cent to a total of 89,000 revenue passengers.

SERVING 24 COMMUNITIES

Outside the major regional transit systems of Vancouver and Victoria, a total of 21 small community transit systems serving 24 communities now exist across the province. Serving almost 570,000 people, these systems provide not only basic mobility to local residents, but are a unique example of a co-operative partnership involving the province, the local municipality and the private sector.

The 101 buses in peak-hour service, (up from 98 in the previous year), provided 291,931 hours of service, 6,800 hours more than in the previous year. But the number of revenue passengers, at 6.3 million, was down marginally as some northern resource-based communities continued to recover from the recession.

Significant gains were made in efficiency. The cost per revenue hour improved by four per cent, resulting from a $234,000 decrease in total expenses from the previous year, and an increase of more than 6,800 revenue hours of service.

Total expenses for the 21 conventional transit systems came to $13.9 million. The farebox provided $3.6 million, municipalities $3.8 million and the Province $6.5 million.

Transit services in these 24 communities have created employment for about 400 people as drivers, mechanics and administrative staff.

The direct operation of all but three systems is contracted out to the private sector. Contracts are awarded every five years. Planning of schedules, levels of service and marketing is retained by BC Transit, thereby ensuring the same high standards of expertise and professionalism that is found in larger metropolitan regions.

The 5th Avenue bus, Prince George.

CUSTOM AND PARATRANSIT

After several years of growth in ridership and improvements in productivity, the custom and paratransit program has reached capacity in ridership.

Demands on the systems by registered users is growing 12 per cent a year, resulting in an increasing number of unmet trips. With the exception of Prince Rupert, Cowichan Valley and Kamloops (following the closure of the Tranquille Institution), there has been no expansion to this program area.

The market growth for this program stems from (1) An aging population — the majority of custom transit users are more than 65 years of age. (2) Increasing awareness and expectations of the disabled. (3) Government programs that encourage the decentralization of institutions and promote home support services. People with mental and physical disabilities have become a dominant passenger group.

Working with private industry is also benefiting transit on the west coast in the area of vehicle design and construction. BC Transit worked with two private companies to create a bus designed for the needs of British Columbians.

Inter-Continental Truck of Surrey created the vehicle and Weco Manufacturing of Kamloops completed the passenger aspects. Weco currently produces the standard custom and paratransit vans. The first prototype of this joint venture is being very well received in the Central Kootenay paratransit system in the Nelson area.

To supplement the standard Weco vans, a Ford Champion with a capacity for 15 ambulatory and three wheelchair passengers was purchased during the year, and is being used on the Sunshine Coast between Gibsons and Sechelt.

Additional Inter-Continental and Champion vans are on order for delivery as replacement vehicles in a number of B.C. centres.

In May, 1987, a new Paratransit System was funded in the Cowichan Valley, and provided more than 6,500 rides, primarily to seniors and disabled people.

Increased productivity and efficiency has come about through use of the DART Manager, the computerized system developed by BC Transit and the Federal Government. The system was installed in Kamloops (1984) and both Kelowna and Prince George (1986), with updated versions implemented since these initial dates to improve effectiveness and the quality of reporting. All three systems report increased operating efficiency and increased ridership.

BC TRANSIT PROGRAMS

CONVENTIONAL BUS SERVICE

Vancouver Region
Victoria Region
Abbotsford-Matsqui
Campbell River
Central Kootenay
(Castlegar region)
Chilliwack
Dawson Creek
Fort St. John
Kamloops
Kelowna-Central Okanagan
Kitimat
Kootenay-Boundary (Trail region)
Langley
Maple Ridge
Mission
Nanaimo
Nelson
Penticton
Port Alberni
Powell River
Prince George
Prince Rupert
Terrace (and Thornhill)
Vernon-Coldstream

handyDART

(door to door transportation for disabled people)
Vancouver Region
Victoria Region
Abbotsford-Matsqui
Alberni-Clayoquot
(Port Alberni and area)
Kelowna
Kamloops
Maple Ridge
Penticton
Prince George
Prince Rupert
Vernon and area

PARATRANSIT

(rural areas and smaller communities)
Comox
Cranbrook
Central Kootenay
(Nelson and area)
Cowichan Valley
(Duncan and North Cowichan)
Kimberley
Okanagan-Similkameen
(Penticton to Naramata)
Princeton
Quesnel
Summerland
Sunshine Coast
Williams Lake

BC TRANSIT FLEET

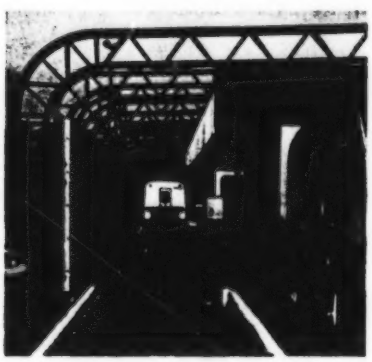
◆ VANCOUVER
Diesel buses 613
Electric trolleys 244
Rapid transit cars 114
SeaBus ferries 2

VICTORIA
Diesel buses 108

SMALL COMMUNITIES
Diesel buses 134

handyDART
Vancouver ..... 101 vans
Victoria ..... 15 vans
Small Community Systems 32 vans

PARATRANSIT
Small Community Systems 13 vans



FINANCIAL SUMMARY

- Total expenditures for the fiscal year ended March 31, 1988, were $352.7 million, compared to $352.4 million last year. The Vancouver Regional Transit System accounted for $317.4 million and Victoria and Small Communities incurred $19.0 million and $16.3 million, respectively, of these total expenditures. Reduced operating costs arising from the return to normal service following Expo 86 more than offset labour and material price increases. Total interest costs increased by $2.5 million in 1987/88 as a result of conversion of the remaining short-term debt for SkyTrain Phase I into long-term debt.

Fare revenues for the year were $105.6 million compared with $121.3 million in the previous year. The extraordinary revenues in 1986/87 are attributed to the high level of ridership during Expo 86.

The provincial government funding contribution decreased slightly from $119.5 million to $117.5 million in 1987/88 as a consequence of marginally lower direct operating costs and a minor reduction in the provincial share of expenditures for the Vancouver Region.

The provincial government also provided $41.7 million in debt servicing assistance. Of this amount, $38.9 million was principal and interest payments on the Province's 50 per cent share of the SkyTrain guideway capital costs of $275 million. The remainder represented foregone interest on the $49 million balance of the interest-free provincial advance made in 1982 as part of the initial funding of SkyTrain Phase I capital costs.

The $49 million remaining balance of a $55 million interest-free provincial advance was repaid in 1987/88.

Funding contributions from municipalities increased by $18.7 million for 1987/88 as a result of a return to normal revenues in Vancouver after Expo 86. The surplus revenues during Expo 86 reduced the contributions required from municipalities within the Vancouver Region in 1986/87. The Victoria Regional Transit Commission share also rose from $2.9 million to $3.2 million, an increase of $.3 million as a result of a shortfall in targeted revenue.

BRITISH COLUMBIA TRANSIT
AUDITED
FINANCIAL STATEMENTS
MARCH 31, 1988

REPORT OF MANAGEMENT

The management and Board of Directors of BC Transit is responsible for the financial statements appearing in this annual report. The statements were prepared in accordance with accounting principles appropriate for BC Transit and fairly represent the transactions and financial position of the corporation.

BC Transit's system of internal accounting controls is designed to provide reasonable assurance that assets are safeguarded, transactions are properly recorded and executed in accordance with management's authorization, and the books and records accurately reflect the disposition of assets. Inherent to the concept of reasonable assurance is the recognition that there are limits in all internal control systems and that system costs should not exceed the expected benefits. The system includes the selection, training and development of qualified personnel, organizational division of responsibilities and communication of company policies and procedures. The system is reviewed and evaluated by a program of internal audits.

The Audit Committee of the Board of Directors meets regularly with management, the internal auditors and the independent auditors to discuss their audit work, accounting policy views, adequacy of internal accounting controls and the quality of financial reporting.

AUDITORS' REPORT

To the Members
of the Board of Directors
of British Columbia Transit

We have examined the balance sheet of British Columbia Transit as at March 31, 1988 and the statements of revenue and expenditures and accumulated net revenue, contributed surplus, changes in financial position and changes in regional transit funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of British Columbia Transit as at March 31, 1988 and the results of its operations and the changes in its financial position for the year then ended in accordance with the accounting principles described in note 2 to the financial statements applied on a basis consistent with that of the preceding year.

THORNE ERNST & WHINNEY
Chartered Accountants
May 27, 1988

BALANCE SHEET

	March 31 1988 ($000)	March 31 1987 ($000)
ASSETS		
CURRENT ASSETS		
Accounts receivable		
Province of British Columbia	$ 9,650	$ 9,119
Municipalities	22,336	20,132
Sundry	7,126	7,920
Mortgage receivable	700	2,381
Parts inventory	9,494	10,549
Prepaid expenditures	3,938	3,149
	53,244	53,250
10% MORTGAGE RECEIVABLE	-	700
LONG-TERM DEBT SINKING FUND	32,189	20,645
FIXED ASSETS		
Land, buildings and equipment (note 3)	239,762	236,396
SkyTrain (notes 4 and 9)	981,488	999,352
Capital projects in progress (note 5)	123,262	54,140
	1,344,512	1,289,888
	$1,429,945	$1,364,483
REGIONAL TRANSIT FUNDS		
Cash and term deposits	$ 19,156	$ 26,332
Accounts receivable and accrued interest	4,720	2,247
	$ 23,876	$ 28,579

APPROVED BY THE BOARD:

D.M. Ross — Director

Eric J. Clarke — Director

BALANCE SHEET

	March 31	
	1988	1987
	($000)	($000)
LIABILITIES, EQUITY AND FUND BALANCES		
CURRENT LIABILITIES		
Cheques issued in excess of funds on deposit	$ 807	$ 4,680
Accounts payable and accrued liabilities	71,597	58,397
Payable to contractors	2,823	2,559
Notes payable (note 6)	114,925	378,028
Current portion of long-term debt	16,419	9,259
Current obligations under capital leases	5,651	5,666
	212,222	458,589
LONG-TERM DEBT (note 7)	784,679	514,095
OBLIGATIONS UNDER CAPITAL LEASES (note 8)	221,105	177,095
EQUITY		
Contributed Surplus	209,387	212,444
Accumulated net revenue	2,552	2,260
	211,939	214,704
	$1,429,945	$1,364,483
CONTINGENT LIABILITIES (note 9)		
Payable to British Columbia Transit	$ 20,312	$ 18,443
Fund Balances	3,564	10,136
	$ 23,876	$ 28,579

STATEMENT OF REVENUE AND EXPENDITURES AND ACCUMULATED NET REVENUE

	Year ended March 31 1988 ($000)	1987 ($000)
Revenue		
Operations	$ 105,596	$ 121,308
Interest	2,284	1,575
	107,880	122,883
Expenditures		
Operations and maintenance	185,687	188,821
Administration	25,292	26,934
Interest on long-term debt	80,615	55,666
Interest on obligations under capital leases	20,929	18,772
Other interest	9,822	34,407
Depreciation and amortization	24,829	22,634
Property leases and taxes	5,553	5,116
	352,727	352,350
	(244,847)	(229,467)
Recoveries		
Contribution from the Province of British Columbia	117,531	119,530
Contributions from municipalities	82,578	63,891
Provincial grant - debt servicing assistance	41,690	43,958
Amortization of contributed surplus to offset depreciation charged on contributed assets	3,048	2,088
	244,847	229,467
NET REVENUE FROM TRANSIT OPERATIONS	-	-
Other		
Realization of contributed surplus on disposal of contributed assets	1,955	2,433
Loss on disposal of fixed assets	(1,513)	(2,195)
Miscellaneous	(150)	(161)
	292	77
NET REVENUE	292	77
Accumulated net revenue at beginning of year	2,260	2,183
ACCUMULATED NET REVENUE AT END OF YEAR	$ 2,552	$ 2,260

STATEMENT OF CONTRIBUTED SURPLUS

	Year ended March 31 1988 ($000)	1987 ($000)
APPRAISAL INCREASE CREDITS		
Balance at beginning of year	$ 196,724	$ 209,494
Reappraisal of revenue vehicles	1,950	-
Amount transferred to statement of revenue and expenditures and accumulated net revenue to offset depreciation charged on contributed assets	(3,048)	(2,088)
Reduction on disposition of contributed assets	(5,299)	(10,682)
	190,327	196,724
OTHER CONTRIBUTED SURPLUS		
Balance at beginning of year	15,720	2,285
Increase on disposition of contributed assets	3,340	13,435
	19,060	15,720
BALANCE AT END OF YEAR	$ 209,387	$ 212,444

STATEMENT OF CHANGES IN FINANCIAL POSITION

	Year ended March 31 1988 ($000)	1987 ($000)
CASH PROVIDED BY (USED FOR):		
OPERATIONS		
Net Revenue	$ 292	$ 77
Items not involving cash		
Depreciation and amortization	24,829	22,634
Amortization of bond discount	686	634
Amortization of contributed surplus to offset depreciation charged on contributed assets	(3,048)	(2,088)
Realization of contributed surplus on disposal of contributed assets	(1,955)	(2,433)
Loss on disposal of fixed assets	1,513	2,195
	22,317	21,019
Changes in non-cash operating working capital		
Accounts receivable	(1,941)	(15,247)
Parts Inventory	1,055	(820)
Prepaid expenditures	(789)	(492)
Accounts payable and accrued liabilities	13,464	(33,205)
Deferred revenue	-	(1,253)
	34,106	(29,998)
FINANCING		
Proceeds on capital leases of vehicles and equipment	48,916	-
Principal repayments on obligations under capital leases	(4,921)	(5,626)
Increase (decrease) in		
Notes payable	(263,103)	(15,775)
Long-term debt	277,058	91,097
Long-term debt sinking fund	(11,544)	(8,684)
Decrease (increase) in mortgage receivable	2,381	(2,381)
	48,787	58,631
INVESTMENTS		
Proceeds from sale of fixed assets	3,648	13,697
Additions to		
Land, buildings and equipment	(13,546)	(9,133)
Capital projects in progress	(69,122)	(36,138)
	(79,020)	(31,574)
INCREASE (DECREASE) IN CASH DEFICIENCY	(3,873)	2,941
Cash deficiency at beginning of year	4,680	1,739
CASH DEFICIENCY AT END OF YEAR	$ 807	$ 4,680

STATEMENT OF CHANGES IN REGIONAL TRANSIT FUNDS

	Vancouver ($000)	Victoria ($000)	Total Year ended March 31 1988 ($000)	1987 ($000)
FUND BALANCE AT BEGINNING OF YEAR	$ 7,830	$ 2,306	$ 10,136	$ 6,613
Revenue				
Gas tax	36,386	-	36,386	14,651
Non-residential property tax	19,994	-	19,994	28,759
Power levy	9,238	3,836	13,074	18,099
Interest earned	1,979	259	2,238	2,116
	67,597	4,095	71,692	63,625
	75,427	6,401	81,828	70,238
Contribution to shareable deficit	(75,023)	(3,241)	(78,264)	(60,102)
FUND BALANCE AT END OF YEAR	$ 404	$ 3,160	$ 3,564	$ 10,136

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 1988

1. AUTHORITY

British Columbia Transit ("BC Transit") is established under the British Columbia Transit Act, as amended, to operate the urban transit systems in the Province of British Columbia.

In accordance with the Vancouver and Victoria Regional Transit Commission regulations, BC Transit is responsible for the administration of all funds raised by certain tax levies. The financial position and changes during the year in these funds are set out in the Statement of Changes in Regional Transit Funds.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements are prepared in accordance with accounting principles appropriate for BC Transit. These principles are in conformity with generally accepted accounting principles appropriate for commercial enterprises, with the exceptions identified in notes 2(b) and (e).

(a) Parts inventory
Parts inventory is valued at the lower of cost and replacement value. Cost is determined using the average cost method. Certain parts inventory was acquired from B.C. Hydro in 1980 at a nominal cost. At the time of its acquisition, this inventory was valued at its average cost to B.C. Hydro with the difference being credited to contributed surplus.

(b) Fixed assets
Fixed assets have been recorded as follows:

(i) Fixed assets transferred from the Province of British Columbia in fiscal year 1980, at their appraised value at June 30, 1979.

(ii) Revenue vehicles acquired from B.C. Hydro, at their appraised value at March 1, 1980.

(iii) SeaBuses, the South Shore and North Shore SeaBus Terminals, acquired from the Province of British Columbia, at appraised value. The SeaBuses were originally appraised at July 15, 1980. At August 18, 1987 they were reappraised by Robert Allan Ltd., as a result of which, fixed assets and contributed surplus were both increased by $1,950,000. The other appraisals were carried out at various dates between July 15, 1980 and June 30, 1981.

(iv) The trolley overhead system acquired from B.C. Hydro on January 1, 1984 at its nominal value of $1.

NOTES TO FINANCIAL STATEMENTS (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(b) Fixed assets (continued)

(v) Land, land improvements, buildings and equipment acquired from B.C. Hydro, at appraised value. These appraisals were carried out at various dates between April 1, 1980 and April 1, 1982.

All appraisals are fair market value appraisals with the exception of the appraisal of other buildings and land improvements, which are appraised at depreciated replacement cost.

(vi) All construction and testing costs related to the SkyTrain have been capitalized. These costs include net interest expenditures as indicated in note 2(c), the costs incurred in testing the service reliability of the Vancouver/New Westminster phase of the SkyTrain system to March 31, 1986 and the remaining estimated net costs relating to this phase of the system.

(vii) All other fixed assets, at cost, including capitalized interest as indicated in note 2(c).

(viii) Depreciation and amortization are provided on the basis which results in a matching of these charges with BC Transit's statutory power to recover the costs of the related assets. Contributed assets are not subject to recovery and are depreciated over their estimated useful lives by the sinking fund method. All assets are depreciated over a period not exceeding their estimated remaining useful lives.

(c) Capitalization of interest
Interest, incurred in connection with capital acquisitions from the date of advance of funds until the assets are placed in service for transit purposes, is capitalized. Interest of $6,467,000 (1987, $3,276,000) was capitalized during the year ended March 31, 1988.

(d) Amortization of bond discounts
Bond discounts are amortized on a straight-line basis over the term of the debt.

(e) Amortization of contributed surplus
Contributed surplus (appraisal increase credits) is being amortized and reflected in net revenue at an amount equal to the depreciation charged on those assets for which BC Transit does not have statutory power to obtain full recovery from operations.

NOTES TO FINANCIAL STATEMENTS (continued)

3. LAND, BUILDINGS AND EQUIPMENT

	1988			1987
	Carrying value	Accumulated depreciation and amortization	Net	Net
	($000)	($000)	($000)	($000)
Land	$ 48,851	$ -	$ 48,851	$ 51,204
Land improvements	15,235	862	14,373	13,151
Buildings	59,744	3,409	56,335	56,667
Revenue vehicles	46,876	18,717	28,159	37,241
Revenue vehicles under capital leases	91,902	11,436	80,466	68,846
Equipment	12,677	1,099	11,578	9,287
	$275,285	$ 35,523	$239,762	$236,396

4. SKYTRAIN

	1988	1987
	($000)	($000)
Construction, engineering and administration	$ 656,907	$691,300
Vehicles and equipment under capital lease	159,502	125,109
Property and rights-of-way	37,976	37,976
	854,385	854,385
Net interest capitalized	161,575	161,575
	1,015,960	1,015,960
Less accumulated depreciation and amortization	34,472	16,608
	$ 981,488	$ 999,352

NOTES TO FINANCIAL STATEMENTS (continued)

5. CAPITAL PROJECTS IN PROGRESS

	1988 ($000)	1987 ($000)
Surrey extension	$ 111,720	$ 48,018
Surrey extension (capitalized interest)	10,373	3,906
	122,093	51,924
Other	1,169	2,216
	$ 123,262	$ 54,140

At March 31, 1988 BC Transit has unutilized approved funding for the Surrey extension of $67,280,000 (excluding interest), of which $25,753,000 has been committed.

6. NOTES PAYABLE

	1988 ($000)	1987 ($000)
Commercial paper with the Province of British Columbia, 8.2 % weighted average interest rate	$ 114,925	$ 378,028

NOTES TO FINANCIAL STATEMENTS (continued)

7. LONG-TERM DEBT

	1988 ($000)	1987 ($000)
Debentures, 11.03% weighted-average interest rate, due November 25, 1997 to August 10, 2007	$ 723,438	$ 395,781
11.125% Bond payable, due December 1, 1998	50,000	50,000
8.75% Bond payable, due January 15, 2006	25,000	25,000
Loan payable, Province of British Columbia	-	49,000
	798,438	519,781
Less unamortized bond discount	11,340	10,427
	787,098	509,354
12.25% Serial debenture, interest payable annually, principal repayments of $1,400,000 payable annually commencing January 31, 1991, with a final payment of $7,000,000 due January 31, 1996	14,000	14,000
	801,098	523,354
Less current portion	16,419	9,259
	$ 784,679	$ 514,095

Long-term debt totalling $812,438,000 is guaranteed by the Province of British Columbia.

Effective April 1, 1986 the Authority entered into an agreement whereby the Province of British Columbia agreed to make principal and interest payments on $275,000,000 of the long-term debt, representing approximately 50% of the Skytrain guideway and station construction cost. These payments aggregated $38,927,000 during each of 1988 and 1987.

Sinking fund and serial debenture payments due in each of the next five years are approximately as follows ($000):

1989	$ 16,419
1990	16,419
1991	17,819
1992	17,819
1993	17,819

NOTES TO FINANCIAL STATEMENTS (continued)

8. OBLIGATIONS UNDER CAPITAL LEASES

The obligations under capital leases, which mature at various dates from 1991 to 2007, represent the total present value of future minimum lease payments discounted at the interest rates implicit in the leases at the commencement of the lease term. These rates vary with prime and during the year ranged from 6.9% to 12.2%.

Obligations under capital leases totalling approximately $219,972,000 are guaranteed by the Province of British Columbia.

The following is a schedule by year of approximate future minimum lease payments together with the balance of the obligations under capital leases as of March 31, 1988 ($000):

1989	$ 27,354
1990	27,326
1991	27,283
1992	26,983
1993	27,532
1994-2007	340,761
	477,239
Less amounts representing interest	250,483
Balance of obligations	$ 226,756

9. CONTINGENT LIABILITIES

British Columbia Transit is disagreeing with the supplier of the SkyTrain system on the interpretation of certain clauses of the purchase agreement. There are also a number of sub-contractor claims which have not yet been settled. In addition, a claim has been made by the City of Vancouver for damages due to the noise of the SkyTrain system. The outcome of the negotiations relating to these matters cannot presently be determined. They will be reflected in the accounts in the period of settlement.

10. COMPARATIVE FIGURES

Certain figures for the prior year have been reclassified to conform with the presentation adopted in the current year.